



DIRECTORS A. D. Cherniak, Robert Slutzky, Hugh V. Shaw

William Muzzatti, Joseph W. Vickers

Charles C. Lawson, Arthur R. Jessup, Q.C.

OFFICERS A. D. Cherniak, Chairman of the Board and Treasurer.

Robert Slutzky, President.

William Muzzatti, Executive Vice-President.

Abel Renaud, Secretary and Comptroller.

TRUSTEE Debentures, Canada Trust Company

REGISTRAR AND TRANSFER AGENT Shares, Royal Trust Company

AUDITORS Vise, Rumack, Seigel, Kurtz and Company, Toronto

SOLICITORS Bartlett, Richards and Jessup, Windsor

SPECIAL COUNSEL Blake, Cassels and Graydon, Toronto

BANK Toronto-Dominion Bank, Windsor

LISTED ON Toronto Stock Exchange — Canadian Stock Exchange

HEAD OFFICE 33 University Avenue West, Windsor

BRANCH OFFICES Montreal, Ottawa, Hamilton, London



THE PRESIDENT'S REPORT

Capital Building Industries Limited's first year of operations has been one of substantial progress, a year marked by growth in sales and earnings and expansion into new markets.

SALES

Combined sales for the fiscal year ended December 31, 1962 totalled \$8,288,668 compared with combined sales of \$7,363,857 for the fiscal year ended December 31, 1961, an increase of 12.6 per cent. The rise in sales was chiefly due to increased activity in the field of land development and in the Company's four fine woodworking mills. Sales from the mills to the building trade and contract work for schools, private homes and clubs, government buildings, hospitals, religious institutions as well as commercial and industrial buildings showed a sharp gain.

EARNINGS

Consolidated net earnings for the year rose 21 per cent to \$537,301 compared with combined net earnings of \$444,178 in 1961. This equals 51 cents per share on 1,052,500 Common shares outstanding compared with 47 cents on 940,000 Common shares outstanding last year.

DEBENTURES

As a result of the conversion in the early part of the year of $6\frac{1}{4}$ per cent convertible sinking fund debentures Series "A", the Company's funded debt has been reduced from \$1,500,000 to \$1,000,000 and an increase in capitalization of 112,500 Common shares has taken place. The debenture conversion of \$500,000 and the net earnings of \$537,301 have resulted in an increase in net worth of \$1,037,301 to a total of \$2,526,331.

SUBSIDIARIES

Early in 1962, the companies originally merged to form Capital Building Industries Limited were further consolidated to form three wholly-owned subsidiaries. In addition, three new Quebec companies were created to conduct operations in Montreal. Capital Building Industries Limited wholly-owned subsidiaries now are Capital Quality Homes Limited and Capital Quality Homes (Quebec) Limited, engaged in residential construction; Capitaland Limited and Capitaland (Quebec) Limited, engaged in land acquisition and development; and Essex Cabinet Makers (Ontario) Limited and Essex Cabinet Makers (Quebec) Limited, engaged in fine millwork.

OPERATING REVIEW

It is the Company's policy not to record sales or the corresponding profits in the financial statements until house sales have been legally closed.

House closings in the latter part of the year were hampered by adverse weather conditions in Montreal, Ottawa and Hamilton, which delayed servicing of Companyowned land and thus delaying occupancies. Servicing was completed in early 1963 and construction is now in progress. Increased sales in land development and fine millwork divisions, however, more than compensated for these delays.

Land development activity increased during the year, the Company making several important acquisitions. Ten acres of a 17½-acre site in Ottawa were sold late in the year at a substantial profit. Capital Building Industries Limited holds ample land in Ottawa and Montreal suitable for apartment sites and row houses, and is presently considering building units of these types in those cities, for sale or as a Company investment.

Highlight of fine millwork activity during the year was the opening of our new mill in London, Ont., in January. This new mill is now contributing to net profit and is adding substantially to the Company's sales volume.

NEW MARKETS

In February, 1963, the Company acquired 300 acres of residential, commercial and industrial-zoned land in Montreal's south shore suburb of Greenfield Park, on a 50 per cent participation basis with local interests. This new 2,800-family development should be completed by 1968 and will greatly enhance net earnings as progress is made.

Essex Cabinet Makers (Quebec) Limited is opening the industrial section of Greenfield Park by construction of a new fine woodworking plant.

OUTLOOK

The development and expansion program begun in 1962 will be continued in 1963, and is expected to improve earnings for the year.

The Company is also considering entry into two other major Canadian markets on a large scale.

The backlog of orders for the Essex mills at December 31, 1962, exceeded \$950,000 compared with a similar backlog of \$150,000 in 1961.

Total sales from all subsidiaries for 1963 are expected to be at least 20 per cent above last year's level.

APPRECIATION

The superlative co-operation of customers, shareholders, employees and suppliers has been most gratifying. Without their loyalty the advances of our first year would have been impossible.

On Behalf of the Board of Directors.

Robert Slutzky President

Windsor, April 5, 1963

A RECORD OF ACHIEVEMENT

The Capital Building Industries Limited story is one of growth and diversification within the residential construction industry in Canada. Though formed only a year ago, the Company has risen to a position of leadership in the industry by virtue of careful planning, wise investment and planned expansion — surely a record of achievement.

Capital Building Industries Limited came into being through the merger of Economy Home Builders of Windsor Limited and Morris Construction (Windsor) Limited and their affiliate companies in early 1962.

In 1949 Robert Slutzky, now President of Capital, formed Economy to build low-cost quality homes, and within 18 months the company had become one of the two leading builders in the Windsor area; the other was Morris Construction, formed in 1950 by Morris Tabachnik, until recently an officer and director of Capital.

Because of their advanced design, superior workmanship and popular prices, the companies' homes met with immediate public acceptance, and expansion to other centres soon followed. Between 1954 and 1960 Economy erected homes in 12 Ontario cities and established subsidiaries in London, Hamilton and Ottawa. During this period a total of 755 homes were built in Sarnia, Guelph, Stratford, Brantford, St. Thomas, Preston, Kitchener, Waterloo and Chatham.

Some indication of the size of Economy and Morris may be gained by the fact that at the time of the merger, the two companies were responsible for approximately 60 per cent of all residential construction in progress in Windsor.

Realizing the profit potential in areas allied to residential construction, Economy entered the field of land development in 1954. The company adopted the policy of acquiring raw land, wherever practical, registering the subdivision plans, installing necessary services (usually in association with local real estate interests), and building homes. Capital Building Industries Limited now carries on this comprehensive policy, but confines its building activities and land development to major metropolitan areas. The Company currently has projects underway in Montreal, Ottawa, Hamilton and Windsor.



Economy took the first step in its program of expansion in 1953 when it helped establish Essex Cabinet Makers Limited in Windsor to supply all Economy homes with quality kitchen cabinets. The woodworking "mill" for this venture measured 20 feet by 60 feet. Today, through two wholly-owned subsidiaries, Capital Building Industries Limited maintains mills in Windsor, Ottawa, Montreal, Hamilton and London, the last opened early in 1962. The mills have an aggregate area of 50,000 square feet, the largest being the 20,000 sq. ft. Windsor operation, expanded in four stages from its original size.

Further expansion is now under way in Hamilton, Ottawa, Windsor and Montreal and will be completed by mid 1963. When finished, this expansion will bring the mills' aggregate area to 65,000 sq. ft., all of which will be used to capacity in 1963.

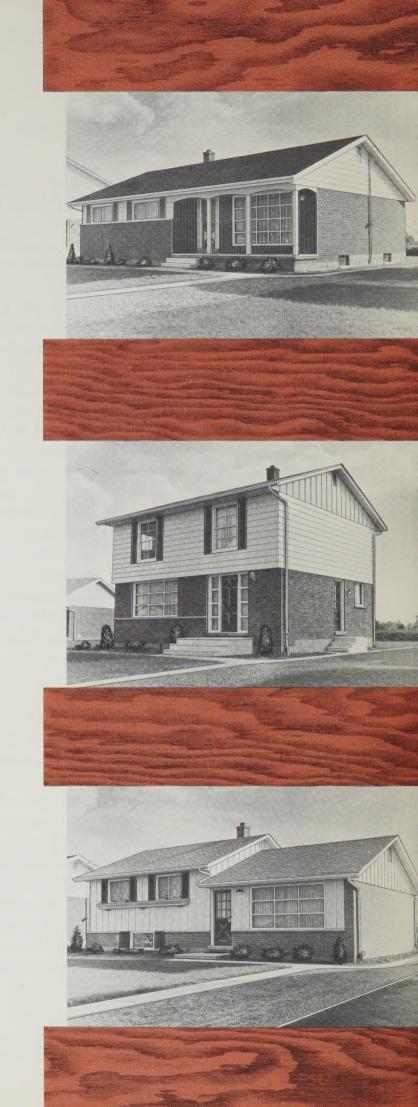
Capital Building Industries Limited will continue with this policy of opening woodworking mills near building sites whenever it enters a new metropolitan area.

Although initially established to supply only Economy homes, the mills have grown beyond the limits of a dependent company during the last decade. Today, 80 per cent of all sales from the mills are made to non-affiliate companies, serving to underline the value of the firm's diversification. In future, an increasing percentage of Capital's net profit will be realized from its mills.

A large part of the work done is institutional in nature. The Companies have designed and built fine millwork for hospitals, religious institutions, universities, schools and commercial and industrial buildings, as well as private homes and clubs.

Constant efforts are being made to develop new wood products and house components, and to pare operating costs through mechanization. New markets are actively being sought, and other profitable areas of endeavour — such as the distribution of builders' hardware — are being closely examined.

Capital Building Industries Limited has made constant its search for new ideas and new products, and will continue to expand with even greater vigour than in its first year of operation.



CAPITAL BUILDING INDUSTRIES LIMITED

Consolidated Statement of Earnings for the year ended December 31, 1962

GROSS PROFIT FROM:		
House construction		\$679,976
Land		121,224
Millwork and cabinet making		286,795
Sundry income		60,307
		\$1,148,302
Deduct:		
Selling, general and administrative expenses	\$584,294	
Debenture interest	44,563	
Depreciation	32,817	
Amortization of debenture discount and financing expenses	5,972	667,646
PROFIT FROM OPERATIONS BEFORE INCOME TAXES		\$480,656
Income taxes (Note 9)		43,757
PROFIT FROM OPERATIONS		\$436,899
Share of net profits from affiliated companies (Note 4)		100,402
NET PROFIT		\$537.301



Consolidated Statement of Earned Surplus for the year ended December 31, 1962

Net profit		\$537,301
Deduct:		
Debenture discount and financing expenses applicable to bonds converted into capital stock	\$58,333	
Organization expenses written off	1,991	60,324
Balance, December 31, 1962		\$476,977

The accompanying notes to the Consolidated Financial Statements are an integral part thereof and should be read in conjunction therewith.

CAPITAL BUILDING INDUSTRIES LIMITED (Incorporated Under The

ASSETS

CURRENT		
Accounts receivable (after deducting allowance for doubtful accounts). Mortgage draws receivable	\$ 276,153 298,627 5,209,439 217,780 87,503 33,617 55,404	\$6,178,523
INVESTMENTS		
Mortgages receivable (after deducting allowance for doubtful accounts) \$336,988 Less: Payments due within one year 87,503 Bonds — at cost (Note 3) 87,503 Advances to affiliated company Equity in affiliated companies (Note 4)	\$ 249,485 161,225 62,000 218,831	691,541
FIXED		
Land, buildings and equipment — at cost	\$389,653 161,082	228,571
OTHER		
Deferred charges Excess of cost of shares of a subsidiary over equity acquired therein Organization expenses	\$48,914 32,301 9,744	
Debenture discount and financing expenses less amounts written off	114,790	205,749
		\$7,304,384

The accompanying notes to the Consolidated Balance Sheet are an integral part thereof and should be read in conjunction therewith.

s of Ontario) CONSOLIDATED BALANCE SHEET as at December 31, 1962

LIABILITIES

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Bank indebtedness — secured (Note 7)	\$912,103	
Accounts payable and accrued liabilities	942,017	
Deposits on real estate sales	40,315	
Estimated liability for required construction and development costs of		
real estate sold (Note 5)	96,981	
Mortgages payable and balances owing on agreements for sale (Note 6)	1,761,575	
Corporation income taxes payable (Note 9)	8,071	
Loan payable to director	16,991	\$3,778,053

DEFERRED

61/4% Convertible Sinking Fund Debentures Series" A"maturing April 1,	
1977 (Notes 7 and 8)	1,000,000
TOTAL LIABILITIES	\$4.778.053

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 8)

Authorized
2,000,000 shares without par value
Issued and Fully Paid
1,052,500 shares.....

\$2,049,354

\$7,304,384

CONTRACTUAL OBLIGATIONS (Note 9)
CONTINGENT LIABILITY (Note 9)

Approved On Behalf Of The Board A. D. CHERNIAK, Director ROBERT SLUTZKY, Director

CAPITAL BUILDING INDUSTRIES LIMITED

Notes to Consolidated Financial Statements December 31, 1962

NOTE 1.

Principles of Consolidation and Accounting.

The financial statements for the year ended December 31, 1962 have been prepared on a consolidated basis, wherein inter-company profits, investments and accounts have been eliminated. Prior to 1962, the statements were presented on a combined basis.

The Company and its subsidiaries are continuing the policy of reporting income on the basis of completed sales.

NOTE 2.

Real estate held for sale consists of the following: Land	\$2,785,064 4,176,399 547,697
	\$7,509,160
Deduct: Mortgage advances	2,299,721
	\$5,209,439

NOTE 3.

Bonds costing \$152,745 and having a quoted market value of \$153,350 are pledged on behalf of affiliated companies, and bonds costing \$8,480 are pledged by a subsidiary company, as collateral security for the installation of services.

NOTE 4.

The equity in affiliated companies is owned by a subsidiary company and consists of 50% of the issued common share capital and retained earnings of the following companies:

Diddi Construction Company Limited Ian Realty Company Limited Sharel Realty Company Limited Vanhurst Construction Company Limited	·	46,709 92,717 30,572 48,833
validate Construction Company Limited	-	218.831

It has been the policy of the subsidiary company to record 50% of the net income of these companies in its accounts.

NOTE 5.

Estimated liability for required construction and development costs of real estate sold comprises all costs necessary to complete construction on the real estate sold, as estimated by management.

NOTE 6.

Mortgages payable and balances owing on agreements for sale are secured by land held for sale and bear interest at rates ranging from 5% to 9%.

The maturity dates are as follows:

1963	\$	408,816
1964		331,058
1965		93,239
1966		382,140
1967		310,470
1968		2,000
1969		2,399
Open		231,453
	-	

\$1,761,575

Mortgages payable and balances owing on agreements for sale aggregating \$231,453 do not have fixed maturity dates, with the principal payable only as the land is utilized. The maturity dates shown above do not reflect the prepayment of principal upon the construction or sale of real estate.

NOTE 7.

The 6¼% Convertible Sinking Fund Debentures Series A were issued in 1962, pursuant to a Trust Indenture which provided for the issuance (subject to certain conditions) of additional Debentures without limitation as to the aggregate principal amount. In the said Trust Indenture the Company covenanted to establish a sinking fund to provide for the retirement of \$100,000 aggregate principal amount of 6¼% Convertible Sinking Fund Debentures Series A on April 1 in each of the years 1963 to 1976.

During 1962, \$500,000 aggregate principal amount of Debentures Series A were converted into 112,500 shares of the company.

In accordance with the terms of the Trust Indenture the \$500,000 Series A Debentures converted into shares are available to the Company as a sinking fund credit. On February 15, 1963, the Company elected to apply \$100,000 principal amount of the Series A Debentures forming such credit in satisfaction in whole of the sinking fund payment required to be made prior to April 1, 1963.

Subsequent to December 31, 1962 the Company issued, pursuant to a First Supplemental Indenture, \$700,000 aggregate principal amount 6% Sinking Fund Debentures, Series B maturing November 15, 1977. In the First Supplemental Indenture the Company covenanted to establish a sinking fund to provide for the retirement of \$40,000 aggregate principal amount of 6% Sinking Fund Debentures, Series B on November 15 in each of the years 1963 to 1976. These debentures were issued, as collateral security only, to the Company's bankers.

The Trust Indenture and the First Supplemental Indenture both provide for certain restrictions on the payment of dividends on the shares of the Company.

NOTE 8.

On March 12, 1962 the Company acquired all the shares of certain companies, which are now subsidiaries of the Company, (having an aggregate net book value of \$1,529,351 as at December 31, 1961) in exchange for 749,997 fully paid shares.

In conjunction with the issue and sale of \$1,500,000 aggregate principal amount of $6\frac{1}{4}$ % Convertible Sinking Fund Debentures Series A, 190,000 additional shares were issued for \$20,000. During 1962, a further 112,500 shares were issued upon the exercise of the conversion privileges attached to the $6\frac{1}{4}$ % Convertible Sinking Fund Debentures Series A. 262,500 shares are reserved for issuance upon the exercise of the conversion privileges attached to the balance of the outstanding Series A Debentures. 25,000 shares were reserved for issuance under an employees' stock option plan as at December 31, 1962. At that date, options had been granted to employees of the Company and its subsidiaries to purchase 23,900 shares at \$3.50 per share. These options may be exercised from time to time following fulfillment of certain conditions and restrictions and are for terms not in excess of eight years. Accordingly, none of the options were exercisable as at December 31, 1962.

NOTE 9.

A subsidiary company leased the land and building located at 33 University Avenue West, Windsor, Ontario, for a period of ten years commencing December 15, 1961, with options to renew for ten further periods of ten years each and with the option to purchase such land and building at a price of \$200,000, the option to purchase to be exercisable at any time between September 14, 2071 and December 14, 2071 or, under certain circumstances, prior to an earlier event. The terms of the lease provide for the following annual rental payments (in addition to realty taxes and other charges to be borne by the lessee):

December 15, 1961 to December 14, 2031	\$51,600
December 15, 2031 to December 14, 2041	56,600
December 15, 2041 to December 14, 2051	61,600
December 15, 2051 to December 14, 2061	66,600
December 15, 2061 to December 14, 2071	71,600

In the event that the net annual profit arising from the demised premises exceeds \$3,500 in any year, the subsidiary company will be required to pay one-half the excess as additional rent.

The subsidiary company intends to claim capital cost allowance on the basis that under present income tax laws it is not permitted to charge off as an expense the rent payable by it under the lease and that for tax purposes it is deemed to have acquired such land and building at a capital cost equal to the aggregate of all rent payable over the whole term of the lease, plus the price at which the option to purchase may be exercised. On this basis, the subsidiary company is proposing to claim capital cost allowance at the rate of 5% per annum on the decreasing balance, or in such lesser amount as may be deemed advisable, on a capital cost of \$6,176,000, being the aggregate of all fixed rents payable over the whole term of the lease plus the option price, less the fair market value as of December 15, 1961 of the land upon which the building stands. Accordingly, no provision for income taxes in the accounts of the subsidiary company has been made for the period ended December 31, 1962. In the event that this basis of claiming capital cost allowance is not permitted, the resulting income taxes payable by the subsidiary company in respect of the two years ended December 31, 1962 would amount to \$146,438 with a corresponding increase in corporation income taxes payable and a reduction in the net income for 1962 in the amount of \$57,164.

Auditors' Report

To the Shareholders

VISE, RUMACK, SEIGEL, KURTZ AND COMPANY

CHARTERED ACCOUNTANTS
TORONTO

REPRESENTED IN: MONTREAL, WINNIPEG, U. S. A., UNITED KINGDOM, ISRAEL

We have examined the consolidated balance sheet of Capital Building Industries Limited as at December 31, 1962, the consolidated statement of earned surplus and the consolidated statement of earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except for the affiliated companies, whose accounts have been examined and reported on by other chartered accountants.

Based upon our examination and the reports of other chartered accountants, in our opinion the accompanying consolidated balance sheet, the consolidated statement of earned surplus and the consolidated statement of earnings supplemented by the notes thereto, present fairly the financial position of the companies as at December 31, 1962 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles.

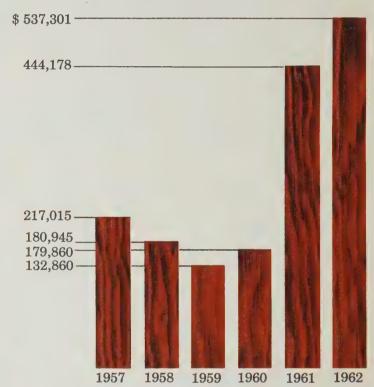
Toronto, Ontario March 27, 1963 VISE, RUMACK, SEIGEL, KURTZ & Co. Chartered Accountants



SALES

NET EARNINGS







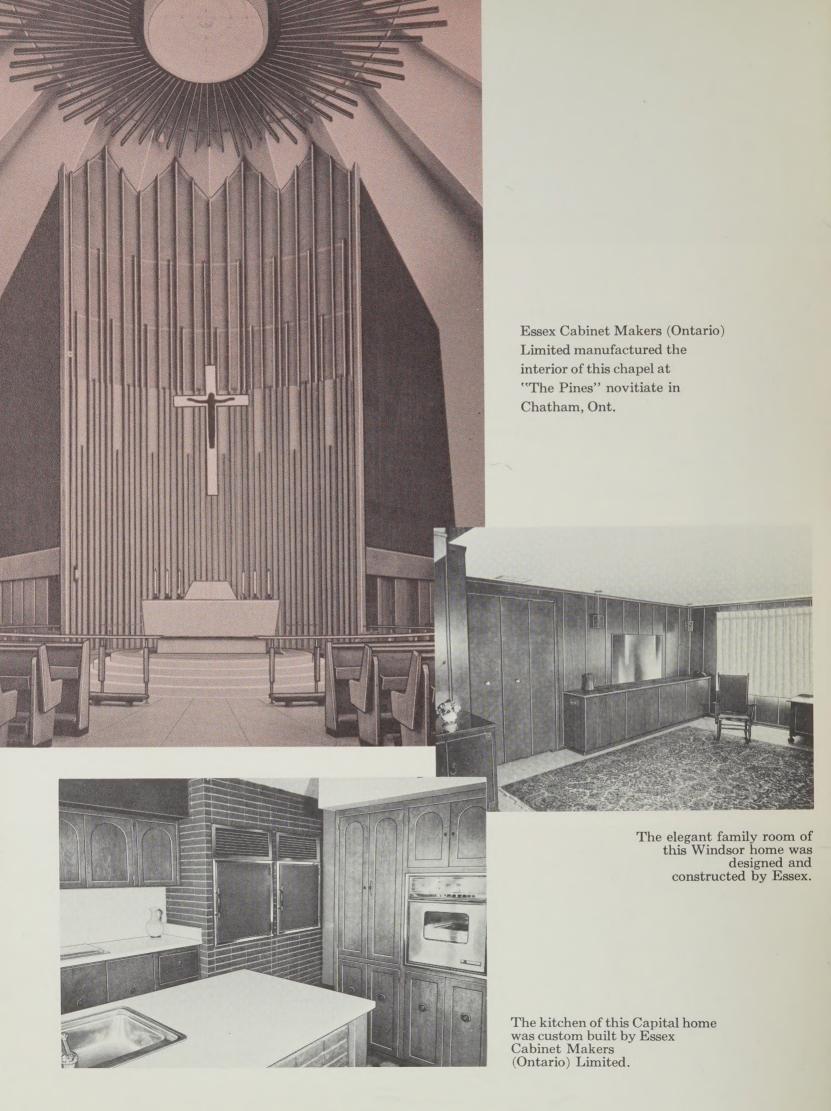


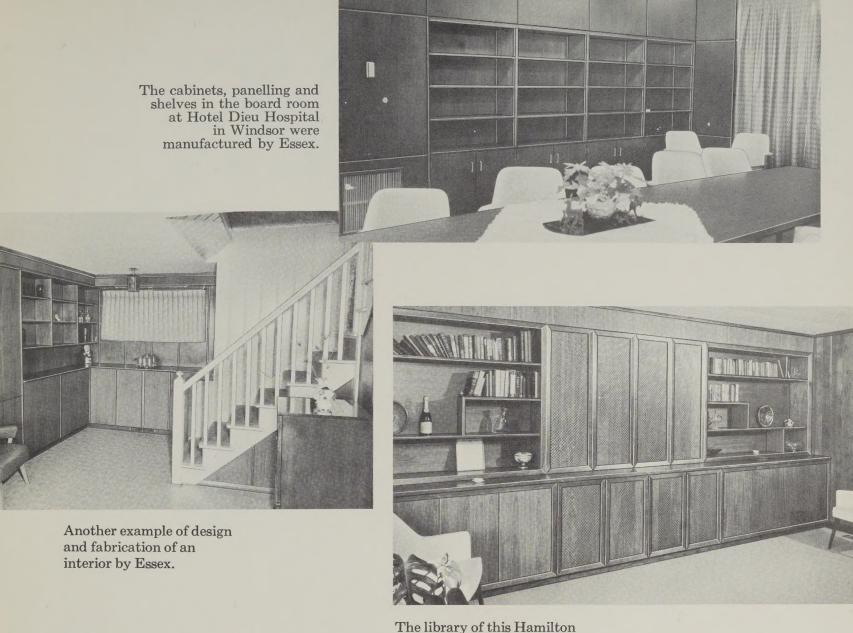
SIX-YEAR COMPARATIVE SUMMARY

For The Fiscal Year Ended December 31

*	1962	1961	1960	1959	1958	1957
Total Sales	\$8,288,668	\$7,363,857	\$7,001,096	\$7,546,955	\$6,125,800	\$5,380,780
Gross Profit From:						
Residential Construction	679,976	721,601	566,180	738,470	675,619	493,916
Land	121,224	133,832	115,307	108,396	189,874	242,567
Millwork and Cabinet Making	286,795	282,322	180,093	117,584	117,390	122,812
Total Gross Profit	1,087,995	1,137,755	861,580	964,450	982,883	859,295
Selling, General and Administra-						
tive Expenses	584,294	741,549	624,042	719,898	657,098	458,846
Depreciation	32,817	27,387	26,059	42,823	46,629	57,758
Income Taxes	43,757	72,610	40,974	55,187	56,679	50,887
Net Earnings	537,301	444,178	179,860	132,860	180,945	217,105
Earnings as a Per Cent of Sales	6.48	6.03	2.57	1.76	2.95	4.03







The library of this Hamilton home was designed and erected by Essex.

